

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Record Request Response

Record Request No.: DTE-RR-46 (Common)

Referring to DTE-6-7, Page 2 of 2, please provide a copy of the actuarial report that supports the SERP expense of \$125,000.

Response:

Attached are two actuarial letters prepared by Unitil's actuary, George Beram & Co., Inc., regarding the Unitil Service Corp. SERP. Unitil Service Corp. relied upon these letters to account for the 2001 SERP expense. The letter dated November 24, 2000 shows an estimated SERP expense for 2001 of \$125,000. The letter dated October 5, 2001 shows an additional actuarial adjustment increasing the 2001 SERP expense to \$135,789. This additional adjustment was not fully recognized on Unitil Service Corp.'s books for billing purposes in 2001. Had this amount been recognized in 2001, it would have increased Unitil Service Corp. SERP expense by about \$10,000, of which approximately 40% would have been billed to FG&E.

Person Responsible: Mark H. Collin

George Beram & Company, Inc.**Employee
Benefit
Consultants
and
Actuaries****DTE 02-24/25 (Common)
Attachment DTE-RR-46
Page 1 of 4**

November 24, 2000

Personal and Confidential

Via Facsimile

Mr. George E. Long, Jr.
Director of Human Resources
Unitil Service Corp.
Six Liberty Lane West
Hampton, NH 03842-1720

Dear George:

We have calculated the FAS 87 pension expense amount (Net Periodic Pension Cost) for the 2000 fiscal year, for the Unitil Corporation Supplemental Executive Retirement Plan As Adopted By Unitil Service Corp. (SERP). The annual expense amount for the SERP for fiscal 2000 is \$111,658.

The components of the 2000 Net Periodic Pension Cost are as follows:

1) Service Cost	\$ 47,905
2) Interest Cost	50,465
3) Amortization of:	
(a) Transition Obligation	16,903
(b) Prior Service Cost	(3,615)
(c) (Gain) or Loss	<u>0</u>
4) Net Periodic Pension Cost	\$ 111,658

Our calculations are based on a 7.75% discount rate, which was also used in determining financial disclosure information as of December 31, 1999.

The decrease in the FAS 87 expense of \$111,658 for fiscal 2000 as compared to \$157,345 for fiscal 1999 reflects:

1. the increase in the discount rate from 7.00% to 7.75%;
2. the greater than expected balance in the 401(k) employer match account (which is an offset to the overall SERP benefit); and
3. the slightly lower projected compensation (including bonus) used to develop the projected SERP benefits.

George Beram & Company, Inc.

DTE 02-24/25 (Common)

Attachment DTE-RR-46

Page 2 of 4

Mr. George E. Long, Jr.
November 24, 2000
Page Two

Our calculations for fiscal 2000 include the following participants:

Active Employees

R. Schoenberger
M. Dalton

Retirees

D. McDonald
C. Tenney

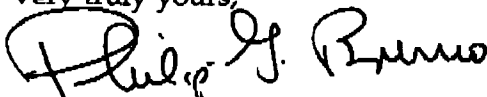
Our calculations of the fiscal 2000 expense are based on the following compensations:

<u>R. Schoenberger</u>		<u>M. Dalton</u>	
Base	\$ 278,000	Base	\$ 206,483
Bonus	109,415	Bonus	67,882
Total	\$ 387,415	Total	\$ 274,365

Finally, we have estimated a fiscal 2001 expense for the SERP (using an 8% discount rate) of \$120,000 to \$125,000 assuming a 4% increase in plan compensations over the amounts used for the 2000 year calculations.

Let us know if you have any questions or need additional information.

Very truly yours,



Phillip G. Bruno, M.A.A.A.
Executive Vice President

cc: M. Collin
C. Cassidy

UNITLGL.su.07

George Beram & Company, Inc.

Employee
Benefit
Consultants
and
ActuariesDTE 02-24/25 (Common)
Attachment DTE-RR-46
Page 3 of 4

October 5, 2001

Personal and Confidential

*Via Facsimile*Mr. George E. Long, Jr.
Director of Administrative Services
Unitil Service Corp.
Six Liberty Lane West
Hampton, NH 03842-1720

Dear George:

We have calculated the FAS 87 pension expense amount (Net Periodic Pension Cost) for the 2001 fiscal year, for the Unitil Corporation Supplemental Executive Retirement Plan As Adopted By Unitil Service Corp. (SERP). The annual expense amount for the SERP for fiscal 2001 is \$135,789.

The components of the 2001 Net Periodic Pension Cost are as follows:

1) Service Cost	\$ 60,382
2) Interest Cost	60,173
3) Amortization of:	
(a) Transition Obligation	16,903
(b) Prior Service Cost	(3,615)
(c) (Gain) or Loss	<u>1,946</u>
4) Net Periodic Pension Cost	\$ 135,789

Our calculations are based on a 7.75% discount rate, which was also used in determining financial disclosure information as of December 31, 2000.

The increase in the FAS 87 expense of \$135,789 for fiscal 2001 as compared to \$111,658 for fiscal 2000 reflects:

1. The smaller than expected balance in the 401(k) employer match account (which is an offset to the overall SERP benefit); and
2. The larger projected compensation (including bonus) used to develop the projected SERP benefits.

George Beram & Company, Inc.

DTE 02-24/25 (Common)

Attachment DTE-RR-46

Page 4 of 4

Mr. George E. Long, Jr.

October 5, 2001

Page Two

Our calculations for fiscal 2001 include the following participants:

Active Employees

R. Schoenberger

M. Dalton

Retirees

D. McDonald

C. Tenney

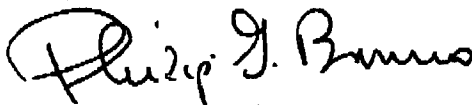
Our calculations of the fiscal 2001 expense are based on the following compensations:

<u>R. Schoenberger</u>		<u>M. Dalton</u>	
Base	\$ 292,000	Base	\$ 213,710
Bonus	110,924	Bonus	65,910
Total	\$ 402,924	Total	\$ 279,620

Finally, we have estimated a fiscal 2002 expense for the SERP of \$145,000 to \$150,000 based on a discount rate of 7.75%. If the discount rate for fiscal 2002 calculation were to be decreased to 7.0%, the estimated expense would be in the range of \$160,000 to \$175,000.

Let us know if you have any questions or need additional information.

Very truly yours,



Philip G. Bruno, M.A.A.A.
Executive Vice President

cc: M. Collin
C. Cassidy

UNITI.GL.sa.10